



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

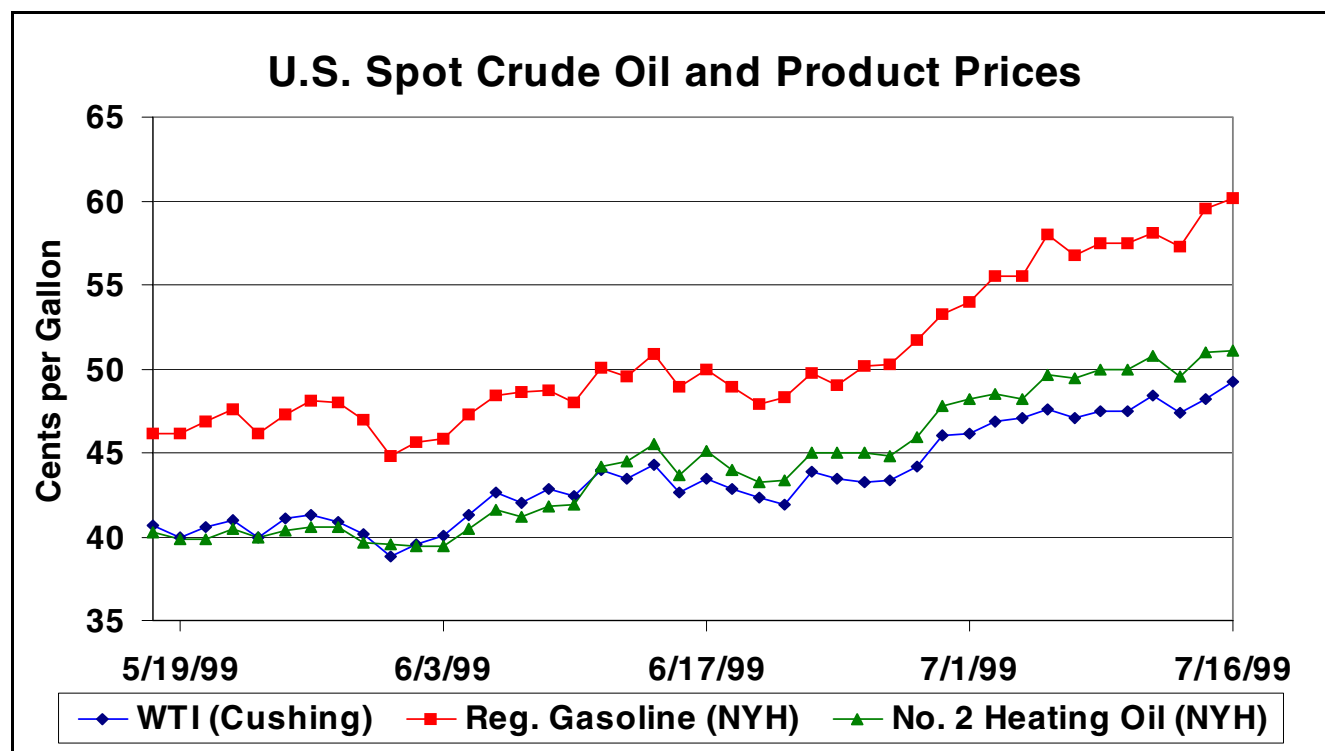
MARKET SUMMARY

A sharp rise in gasoline prices led U.S. petroleum spot and futures markets upward last week, taking WTI crude oil prices over \$20 per barrel for the first time since November 1997. Generally bullish weekly supply data, complicated by a delay in EIA's report, helped to provide both a fundamental and psychological lift to markets in midweek. New problems at Chevron's Richmond, California refinery exerted a major upward influence on gasoline, partially offset by restarts at two other plants. Potentially bearish comments by Venezuela's energy minister failed to diminish the market's upward momentum.

Crude oil - prices moved solidly higher for the week, as WTI spot and futures moved decisively over the \$20-per-barrel mark. After cautious trading on Monday, prices climbed on Tuesday, in anticipation of a stockdraw in the weekly API and EIA supply reports. API's Tuesday evening report showed a larger-than-expected draw, but EIA's Wednesday report was delayed, then when released showed a modest build. Gains the remainder of the week were largely driven by gasoline markets.

Gasoline - began the week quietly, with news that Sunoco had resumed operations at its Point Breeze, Pennsylvania refinery, and Mobil was restarting a coker at its Joliet, Illinois plant. However, a cat cracker shutdown at Chevron's Richmond, California refinery, along with reported larger-than-expected stockdraws for the week ending July 9, pushed prices up sharply later in the week. By Friday, Chevron had received a CARB waiver to sell conventional gasoline for up to 45 days during repairs to the unit.

Distillate - prices posted the smallest gains for the week, partially due to a larger-than-expected stockbuild for the week ending July 9. Inventories gained nearly 4 million barrels from the previous week, ending only 2 million barrels below year-ago levels, and well above the seasonal average range.



CHRONOLOGY OF RECENT MARKET EVENTS

- 7/16 - rising** - a further surge in prices ahead of the weekend took WTI spot and futures prices to yet another 20-month high, despite reported comments from Venezuela's oil minister about potential OPEC action in September. Products lagged behind crude, but also hit new multi-year records.
- 7/15 - rising** - gasoline led all prices higher in late-day gains, as the California Air Resources Board recommended approval of a Chevron request for a waiver to sell conventional gasoline during refinery repairs. WTI prices again surpassed \$20 per barrel, after falling back on Wednesday.
- 7/14 - falling** - crude and product prices dropped, reversing Tuesday's rise, on anticipation, then confirmation, that EIA's delayed weekly supply report would not confirm the crude oil stockdraw reported by API. EIA's data, released just before the NYMEX close, showed a small crude build.
- 7/13 - rising** - all prices moved higher ahead of an expected crude oil stockdraw in the weekly API and EIA supply reports, sending WTI crude oil spot and futures prices to a close over \$20 per barrel for the first time since November 1997. Reports of a cat cracker shutdown at Chevron's Richmond, California refinery added further support to gasoline prices.
- 7/12 - mixed** - spot and futures prices posted very little change, with crude oil down slightly and most products barely higher amid a lack of news. Sunoco's Point Breeze refinery returned to full operations, while Mobil began restarting a cat cracker at its Joliet, Illinois plant.
- 7/9 - rising** - prices rose moderately across the board, boosted by overall bullish market sentiment and a variety of specific factors. NYMEX WTI settled just short of \$20 per barrel, on support from IEA's monthly report and civil disturbances in Nigeria disrupting crude export loadings.
- 7/8 - mixed** - most prices fell back, led by gasoline, as EIA's weekly supply data did not confirm API's report of a large gasoline stockdraw for the previous week. Only NYMEX heating oil futures gained, despite a seasonal stockbuild, apparently reflecting pre-season buying interest.
- 7/7 - mixed** - prices ended mostly higher, led by products, on expected stockdraws and an outage at Sunoco's Point Breeze, Pennsylvania refinery. NYMEX August crude oil futures slipped back by 1¢ per barrel, pausing after recent strong gains.
- 7/6 - rising** - crude oil and product prices continued upward, though only slightly, in trading following the three-day holiday weekend. The NYMEX August crude oil contract neared \$20 per barrel before falling back to close barely higher for the day, while gasoline gains were limited by unit restarts at two Texas refineries.
- 7/2 - rising** - all prices gained solidly to end the week, again led by gasoline. Futures and many spot prices set new 1½-year highs in a shortened pre-holiday session, featuring shortcovering ahead of the three-day Independence Day weekend.